

## Philippine Dollar Bond Index Fund A Unit Investment Trust Fund of the Bank of the Philippine Islands



### Investment Objective

The Fund aims to achieve investment returns that closely track the total return of a U.S. dollar-denominated index, the JP Morgan Asia Credit Philippines Total Return Index, before fees and taxes, by investing in a diversified portfolio of Philippine sovereign and corporate fixed income instruments.

### Figures as of 09/30/14

#### Cumulative Performance (%)<sup>1</sup>

	1 mo	1YR	3YRS	5 YRS	S.I. <sup>3</sup>
Fund	-1.03	9.02	23.08	48.79	82.86
JACI Phil <sup>2</sup>	-1.04	9.52	24.80	51.71	87.82

#### Annualized Performance (%)<sup>1</sup>

	1YR	2YRS	3YRS	4YRS	5YRS	S.I. <sup>3</sup>
Fund	9.02	1.68	7.17	5.56	8.27	8.10
JACI Phil <sup>2</sup>	9.52	2.11	7.67	6.04	8.69	8.47

#### Calendar Year Performance (%)<sup>1</sup>

	YTD	2013	2012	2011	2010	2009
Fund	7.14	-5.23	15.09	9.91	13.40	20.71
JACI Phil <sup>2</sup>	7.51	-5.10	15.79	10.44	13.78	26.07

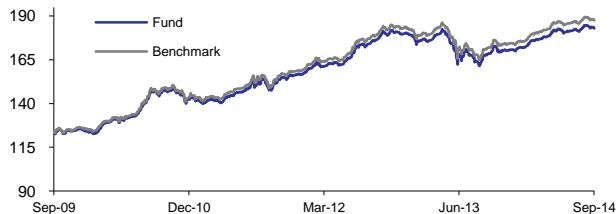
### Key Figures and Statistics

Net Asset Value per Unit (NAVPU)	USD	182.86
Total Fund NAV (Mn)	USD	24.80
Average Daily NAV for the Quarter (Mn) <sup>4</sup>	USD	23.65
Portfolio Weighted Yield to Maturity	%, net	3.88
Current Number of Holdings		46
<b>Statistics (Past 5 Years)</b>		
	<b>Fund</b>	<b>Index</b>
Annualized Return (% net)	8.27	8.69
Annualized Volatility (%)	4.98	5.11
Duration (years)	6.81	7.32
Tracking Error (3-Yr, %) <sup>5</sup>	1.02	

### General Information

Launch Date	December 31, 2006	
Fund Structure	Unit Investment Trust Fund	
Fund Classification	Index Tracker Bond Fund	
Fund Currency	US Dollar	
Minimum Initial Investment	USD	500.00
Minimum Transaction	USD	200.00
Minimum Holding Period	None	
Days to Settlement (Contribution)	Day 1 End-of-Day	
Days to Settlement (Redemption)	Day 1 End-of-Day	
Trust Fee <sup>6</sup>	0.25% per annum / 0.06% per quarter	
Custodianship Fee <sup>7</sup>	0.1447%	
External Audit Fee <sup>7</sup>	0.0342%	
Valuation Methodology	Marked-to-Market	
External Auditor	Isla Lipana & Co.	
Available Through	BPI Branches and <a href="http://www.bpiexpressonline.com">www.bpiexpressonline.com</a>	
Trustee	Bank of the Philippine Islands	
Third Party Custodian	HSBC, Ltd. (Philippines)	
Dealing Cut-Off	12:00 PM	

### NAVPU Graph



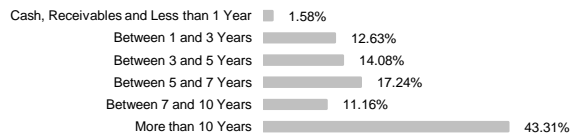
### Allocation

Portfolio Allocation: Government 61.75%, Corporates 36.67%, Cash and Receivables 1.58%

### Top Holdings

Name	Yield (%) <sup>8</sup>	Maturity	% of Fund
Republic of the Philippines Bonds	4.40	10/23/2034	7.86
Republic of the Philippines Bonds	4.40	1/14/2031	7.21
Republic of the Philippines Bonds	4.45	2/2/2030	6.69
Republic of the Philippines Bonds	3.97	3/16/2025	5.55
Republic of the Philippines Bonds	3.07	1/15/2021	4.77
Republic of the Philippines Bonds	2.66	6/17/2019	3.99
Republic of the Philippines Bonds	4.38	1/15/2032	3.83
Republic of the Philippines Bonds	4.22	1/13/2037	3.74
Republic of the Philippines Bonds	3.90	3/30/2026	3.70
Power Sector Assets and Liabilities Mgt.	4.09	12/2/2024	3.59

### Maturity Profile



Any prospective investment shall be limited to the type of investments described in the Declaration of Trust for the Fund.

### Average Credit Rating:

Baa3 (Moody's) / BBB (S&P)

The fund is suitable for investors with an aggressive risk profile. An index tracker bond fund is suitable for investors who take medium- to long-term views and want exposure to Philippine bonds. Prior to investment in the Fund, the investor shall undergo a client suitability assessment procedure to determine whether the Fund is appropriate for him considering his investment objective, risk tolerance, preferences and experience. As a marked-to-market UITF, the Fund's yield, net asset value, and total return may fluctuate as a result of interest rate and currency movements and the changes in the credit quality of the investments. On redemption of units, an investor may receive an amount less than the original amount of the investment. Liquidity risk also needs to be taken into account.

<sup>1</sup> Returns are net of fees. Past performance is not an indication of future returns.

<sup>2</sup> The fund tracks the JP Morgan Asia Credit Philippines Total Return Index.

<sup>3</sup> Since Inception

<sup>4</sup> Average Daily NAV for the past 3 months

<sup>5</sup> Tracking error is the measure of deviation between the Fund's returns and the benchmark returns. It is computed as the annualized standard deviation of monthly returns as against the benchmark over three years. A lower number means the Fund's return is closely aligned with the benchmark.

<sup>6</sup> Trust fee as a percentage of average daily NAV for the quarter

<sup>7</sup> Calculated based on the total billings received in 2013 divided by the average daily NAV in 2013

<sup>8</sup> Net of Tax

\*Declaration of Trust and List of Prospective Investment Outlets are available upon request through branch of account.

### Manager's Report

**Market Review.** The JP Morgan Chase Asia Total Return Philippine Bond Index declined by 1.04% in September. Prices of sovereign bonds tracked US Treasuries anew after the US central bank hinted of a sooner-than-expected interest rate hike. Ten-year US Treasury yields went up by 15 basis points to end the month at 2.49%. Prices for ROPs, which have been tracking US Treasuries, fell by an average of 1.87 points during the month.

The US Federal Reserve retained its guidance for its federal funds rate, saying that it would maintain the low target range for a "considerable time" after the asset purchase program ends in October. However, a subsequent statement indicated a faster pace of interest rate hikes over the next three years. The Federal Reserve now expects a higher median estimate for its benchmark rate at 1.375% from 1.125% previously.

The US central bank also adjusted its growth forecast lower to 2.1% from 2.2% for this year, and to 2.8% from 3.1% for 2015. Gross domestic product grew at a revised annual rate of 4.6% in the second quarter from an earlier estimate of 4.2%. The latest economic figures also point to an improving economic recovery in the US. The Labor Department said that the economy added 248,000 jobs last month and that the unemployment rate fell to 5.9%. This is its lowest unemployment rate for the past 6 years.

**Fund Performance.** Against this backdrop, the Fund has returned 7.14% year-to-date.

**Strategy.** The Fund will continue to closely track the JPMorgan Asia Credit Total Return Index.